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IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1939

No. 671

SONTAG CHAIN STORES CO., LTD.,
a corporation,

Petitioner,

vs.

NATIONAL NUT COMPANY OF CALIFORNIA,
a corporation,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE NINTH CIRCUIT

REPLY BRIEF FOR PETITIONER

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To the Honorable, the Chief Justice and Associate Justices of the Supreme Court of the United States:

Respondent has rested its case primarily upon two unsound propositions. By erroneously defining the defense of intervening rights as one that can be sustained only if there be an estoppel against the patentee, respondent has endeavored to limit the issue to that question. But this definition is improper and neither the law nor the record in this case will justify or permit the issue so to be narrowed. It is clear on this record that petitioner's interest to continue *using* the accused ma-

chine must be protected.[1] The problem in the case is sound formulation of the bases upon which such protection may be granted.

The second proposition is that there is an unbroken line of decisions (five only) of this court establishing authoritatively that there can be no defense of intervening rights, predicated upon estoppel, where application for reissue is made within two years after issuance of the original patent. Not one of the cases so relied upon sustains the proposition for which it is cited.

Respondent's brief, being without logical arrangement, cannot be answered point by point without incorporating the same defect in this reply brief. Brevity would likewise be impossible. We have thought, therefore, that it would be most helpful to the court if we select only those matters, wherever and however asserted from time to time in respondent's brief, which might seem to require answer.

I.

The defense of intervening rights requires consideration of laches as well as estoppel.

Respondent insists, and it is the basis of almost all of its argument, that the issue is confined to the question

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[1] This petitioner is not the manufacturer. It is merely the purchaser and user of a single machine. In our opening brief (page 41) we discussed the helplessness of the user against the dangers of reissue and suggested that that fact should be given consideration in determining a rule that would best serve the public interest. In its preliminary report transmitted to Congress July 17, 1939 (76th Congress, First Session, Senate Document 95) the Temporary National Economic Committee recommended that the law be changed to provide that no action based upon infringement of a patent against the purchaser or user be permitted unless the plaintiff had previously prosecuted to a successful judgment an action against the grantor of the license or the seller, if jurisdiction could be obtained over such persons. It stated as its reasons:

> "A provision to the foregoing effect would help meet one of the most serious abuses in the patent field: the use of litigation as a deliberate weapon of business aggression, rather than as an instrument for adjudicating honest disputes."

of "intervening rights." (Resp. Brief, p. 2.) What respondent means, however, is that the issue is confined to this question *as defined by respondent*. That definition is, that the defense of "intervening rights" raises only the question whether petitioner has a personal right to continue to use the accused machine, respondent being estopped.

Respondent's hope and constant endeavor throughout its brief is to limit the issue to the question whether petitioner may have *an* intervening right predicated upon a personal estoppel, and not such intervening rights as shall subserve the defense of laches, which will invalidate respondent's reissue patent entirely. But there is no justification in the law or in this record for narrowing the question in accordance with the arguments so persistently urged by respondent.

The decision of the trial court is not thus limited. In petitioner's answer to the suit on the reissue patent, petitioner urged as defenses, among others, (*a*) that the reissue patent is invalid and void because the original patent was surrendered and reissued without statutory foundation therefor (Par. XV, R. 58); (*b*) that respondent is estopped because petitioner had publicly used the accused machine in reliance on the narrow claims of the original patent (Par. XVII, R. 58); and (*c*) that the reissue is invalid and void because the claims thereof are broader than those of the original patent, and because the reissue was not applied for until an unreasonably long time had elapsed after the original was granted (Par. XVIII, R. 59).

In its "conclusions of law" the trial court found that the petitioner had acquired "intervening rights," and that in view of this defense and the laches of the plaintiff, the court found it unnecessary to consider any of the other defenses to the reissue patent (R. 94). This conclusion was embodied in the broad language of the

decree that petitioner had "acquired 'intervening rights' which in equity plaintiff may not now disturb." (R. 96.)

The Circuit Court of Appeals did not consider itself limited to a consideration of the defense of intervening rights predicated solely upon an estoppel. That court recognized that mere lapse of time can serve to bar a broadened reissue and otherwise gave full consideration to the question (R. 289, 291). The principles announced by it eliminate the defense of laches whenever the reissue is applied for within two years.

Respondent's own view of the decision of the Court of Appeals confutes the position it urges. On page 17 of respondent's reply to our petition for certiorari appears the following: "That the point [respondent's laches] has been duly considered by the Circuit Court of Appeals is apparent * * *." On page 48 of respondent's brief it is said that the Circuit Court of Appeals for the Ninth Circuit "has expressly held that the 'burden of proving a defense of estoppel or *laches* is on the defendant' (R. 289), and that the petitioner has clearly failed to sustain that burden." Reference to the same holding is made on page 60 of respondent's brief.

Respondent asserts that the issue is limited by a stipulation at the trial (R. 88). The Court of Appeals, however, expressly found that the only stipulation "so far as defendant's defenses are concerned, was that plaintiff's patent was infringed, assuming, but not admitting, the validity of the patent." (R. 311.)

Respondent urges that our petition for certiorari s limits the question. That is not true. On page 2 of the petition it is stated, "The facts in the present case, while simple, are such as to present most of the phases of the problem with which the lower courts have struggled. * * * Is the respondent guilty of laches which precludes its securing a valid reissue under the circum-

stances in this case, or, put in another way, does its failure to apply more promptly for such a reissue create an estoppel in favor of the public, including petitioner?" Petitioner's second specification of error is that the Circuit Court of Appeals erred in failing to hold that respondent was guilty of unnecessary delay and laches in applying for its reissue.

This court, in granting the writ of certiorari, imposed no limitations upon the scope of the questions that are presented.

Nor is it true that the defense of intervening rights, so called, has to do only with estoppel. The term is sometimes used in this narrow sense, but there is no basis whatever for considering it an exclusive definition. As one commentator has said:

> "It is necessary also to distinguish between 'laches' and 'estoppel.' Although very learned judges have cast doubt upon the validity of this distinction, it is well recognized by recent opinions in this field and different results follow according to which doctrine is applied. Both laches and estoppel have to do with intervening rights, and both have their bases on dedication, but the doctrine of laches has to do with a loss of the monopoly to the public and the doctrine of estoppel relates only to the curtailment of those rights as asserted against a particular individual." [2]

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[2] Montgomery, Reissued Patents, 8 So. Cal. Law Rev. 288, 290; see also Bibre, "The Defense of Intervening Rights," 1 Geo. Washington Law Rev. 387, 389. Noteworthy also is the language of Judge Denison in *Ashland Firebrick Co.* v. *General Refractories Co.*, 27 Fed. (2d) 744, who, after approving and adopting the theory of estoppel to support a private intervening right in the nature of a license against a generally valid reissue, said (page 747):

> "While it must be conceded, as the court below held, that the Supreme Court has never expressly upheld the defense of a private intervening right, or distinguished from the general public intervening rights, but has recognized the unsettled character of the questions (*Keller* v. *Adams*, 264 U. S. 314, 44 S. Ct. 356, 68 L. Ed. 705), and while perhaps the basis of the two year rule as to reissue should be called laches rather than estoppel, yet the name is not important, for it is the reliance by the public on the dedication, to the public's (presumptive) injury, which in the typical case develops mere delay into fatal laches."

Although not so labeled, the intervening rights of the public were the essential reason for promulgation of the rule of laches in *Miller* v. *Bridgeport Brass Co.*, 104 U. S. 350. The court said:

> "Such a process of expansion [of claims by reissue] carried on indefinitely, without regard to lapse of time, would operate most unjustly against the public * * *." (p. 355.)

Respondent, in urging this limitation of the issue, has disregarded the record, the law, and, in fact, has about completely begged the question. One cannot by definition limit an inquiry purposed to find the definition. Respondent's efforts to limit the issue by such definition suggests what Pound refers to as "fictions often comparable to the 'let's play' this or that of children."[3]

II.

Not one of the cases upon which respondent relies is authority for the proposition that intervening rights may not be a defense when based upon estoppel.

After asserting that the doctrine of intervening rights is nebulous (Resp. Brief, p. 5) respondent challenges the statement on page 7 of our petition for certiorari that "the matter of intervening rights, in relation to the broadened claims of a reissue patent, presents important and difficult questions of federal law which have not been, but should be, decided by this court;" and then, inconsistently, says that this court has "repeatedly passed upon the precise point" (Resp. Brief, p. 14)—adversely to petitioner's contention. This last is not true. None of the five cases relied upon by respondent support its position.

In *Stimpson* v. *Westchester Railroad Co.*, 4 How. 380 (1846), it is doubtful whether the claims of the re-

[3] Pound, "Interpretations of Legal History" (1923), p. 4.

ue applied for four years after the original issue oadened the scope of the original, which would an that the defendant infringed the original, as well the reissue, patent. In any event the court, which de- d the defense of intervening rights, was bound to do because of the 1832 statute (4. Stat. 559) which spe- cally provided that "no public use shall, in any man- , prejudice his [the patentee's] right of recovery for y use or violation of his invention after the grant of ch new patent, as aforesaid."

The case of *Battin* v. *Taggert*, 17 How. 77 (1854) obably involved a narrowed, rather than a broadened ssue. In so far as the court's announcement that othing passes to the public from the specifications or ims, within the scope of the patentee's invention" ap- es to broadened reissues, it has been overruled by ller v. *Bridgeport Brass Co.*, 104 U. S. 350, 356 (1882). In *White* v. *Dunbar*, 119 U. S. 47 (1886), after holding valid the reissue there involved, on the ground that the oadened claims were for another invention, Mr. Jus- e Bradley said (purely as dictum, p. 52):

> "The circumstance that other improvements and inventions, made after the issue of a patent, are often sought to be suppressed or appropriated by an *unauthorized reissue*, has sometimes been referred to for the purpose of illustrating the evil consequences of granting such reissues; but it adds nothing to their illegality. That is deduced from general principles of law as applied to the statute authorizing reissues, and affecting the rights of the government and the public."

The court did no more than say that the defense of hes is derived from general principles of law rather an from the fact that the motive or objective prompt- application for a reissue is improper. The distorted nstruction urged by respondent cannot be sustained in

the face of the contemporaneous cases in this court. In many of those cases the opinions were also written by Mr. Justice Bradley. They indicate clearly that a patentee desiring a broadened reissue must make application speedily *and before the rights of third parties have intervened.* See *Miller* v. *Bridgeport Brass Co.*, 104 U. S. 350, 351 (1882); *James* v. *Campbell*, 104 U. S. 356, 371 (1882); *Mahn* v. *Harwood*, 112 U. S. 354, 362 (1884); *Topliff* v. *Topliff*, 145 U. S. 156, 172 (1892); *Turner & Seymour Mfg. Co.* v. *Dover Stamping Co.*, 111 U. S. 319, 326 (1884). We respectfully refer to our exposition of these cases under Point III of petitioner's brief, commencing at page 22.

In *Topliff* v. *Topliff*, 145 U. S. 156 (1892), an original patent, issued December 19, 1871, was reissued April 9, 1872, and, on a second application "applied for a little more than a month after the first reissue was granted," again reissued March 28, 1876. The holding of this court in that case is stated in the following language (p. 165):

> "Whether this be an enlargement of the original claim or not, it is for substantially the same invention, and in view of the fact that the reissue was applied for as soon as the mistake was discovered and before any rights in favor of third parties could be reasonably expected to have attached, or had in fact attached, we think this reissue is not open to the objections which have proved fatal to so many since the case of *Miller* v. *Brass Company*, 104 U. S. 350, was decided."

The opinion extensively reviews the decision of *Miller* v. *Bridgeport Brass Company*, 104 U. S. 350 (1882) and many of the cases decided by this court in the ten years that had intervened since that decision. By way of summary the court said in the *Topliff* case (p. 169):

> "In the large number of cases which have come up to this court since that of *Mahn* v. *Harwood* was decided, in which reissues have been held to be in-

valid, it will be found that the opinion of the court was put upon the ground, either that the patentee had been guilty of inexcusable laches, usually of from four to sixteen years, *or that circumstances had occurred since the granting of the original patent which made the reissue operate harshly or unjustly to the defendant in the case.*" (Italics ours.)

In deciding the particular case before it the court emphasized that the reissue in question had been applied for before any rights in favor of third parties could be reasonably expected to have attached, or had in fact attached. In stating a general rule the court said that a patentee might have a reissue if "he has been guilty of no want of reasonable diligence in discovering it [the defect in his patent], and no third persons have in the meantime acquired the right to manufacture or sell what he had failed to claim." (p. 171.)

Respondent cites this case as support for the proposition "that the two year rule applies to the same extent to reissue patents as the two year public use statute applies to original patents." (Resp. Brief, p. 59.) This conclusion is drawn from the language on page 171 stating that if a reissue is sought "for the purpose of enlarging the claim, the lapse of two years will ordinarily, though not always, be treated as evidence of an abandonment of the new matter to the public to the same extent that a failure by the inventor to apply for a patent within two years from the public use or sale of his invention is regarded by the statute as conclusive evidence of an abandonment of the patent to the public."

This was but another way of stating that laches will bar the right to a broadened reissue, as that rule was originally promulgated in *Miller* v. *Bridgeport Brass Company*. It is not a statement that until the expiration of the "two year period" there would be no dedication

of any matter disclosed by the patent and not reserved by the claims thereof. "The scope of every patent is limited to the invention described in the claims contained in it * * *". *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.*, 243 U. S. 502, 510; *Yale Lock Mfg. Co.* v. *Greenleaf*, 117 U. S. 554, 559; *McClain* v. *Ortmayer*, 141 U. S. 419, 424.

We had hoped to avoid further discussion of the case of *Abercrombie & Fitch Co.* v. *Baldwin*, 245 U. S. 198, by the analysis at page 29 of our brief. Respondent, however, refers only to the discussion in our reply brief on the petition for the writ, and it is still respondent's view that the *Abercrombie* case is authority for denial of intervening rights based upon estoppel. The court found that the original, as well as the reissue, patent was infringed; therefore the intervening use was at all times unlawful and could not give rise to any rights.

Respondent asserts that it makes no difference that the reissue involved in the *Abercrombie* case narrowed and did not broaden the claims of the original patent. This mere assertion is in the teeth of *Mahn* v. *Harwood*, where the court said that a broadened reissue "is injurious to the public, since it takes from the public the use of that which it previously enjoyed, and which the original patent acknowledged its right to enjoy," (112 U. S. 354, 362).

Respondent refers (Resp. Brief, pp. 6, 7) to the decision in 1832 of the case of *Grant* v. *Raymond*, 6 Peters 218. Respondent's quotation from the opinion in that case ends with language indicating disapproval of any rights existing in an intervening user. The three sentences of the opinion *immediately following* the quotation are (p. 243):

> "But the answer to the objection is, that this defence is not made in this case; *and the opinion of the Circuit Court does not go so far as to say that such*

a defence would not be successful. That question is not before the Court, and is not involved in the opinion we are considering. *The defence when true in fact may be sufficient in law, notwithstanding the validity of the new patent."* (Italics ours.)

In its references to the case of *Keller* v. *Adams Campbell Co.,* 264 U. S. 314, respondent indulges (at page 23) in a rather remarkable venture as to the reason why certiorari was granted in that case and (at page 51) endorses the extraordinary compounding of errors resulting from misunderstood language in the case of *Abercrombie & Fitch Co.* v. *Baldwin,* 245 U. S. 198, apparently further misunderstood in *Keller* v. *Adams Campbell Co.,* and by the court below. We respectfully refer to our brief at pages 29 and 30 where we have attempted an analysis and correction of these errors.

It is thus seen that respondent has not correctly understood either the five cases upon which it rests its entire case, or many other decisions to which it refers. The weakness of respondent's argument that this court, by an unbroken line of decisions has repudiated the defense of intervening rights when predicated upon estoppel, is so great that it falls completely before the dictum of Chief Justice Marshall that "The defence when true in fact may be sufficient in law, notwithstanding the validity of the new patent" (*Grant* v. *Raymond,* 6 Peters, 218, 244) and Justice Brown's statement in *Topliff* v. *Topliff,* 145 U. S. 156, 169, that reissues have been invalidated because "circumstances had occurred since the granting of the original patent which made the reissue operate harshly or unjustly to the defendant in the case." (p. 169.) Petitioner, however, is not limited to such statements for support of its position.

III.

The record supports petitioner's contention that respondent is estopped to assert the broadened claims of its reissue patent against petitioner.

We need not repeat our exposition of this point which is found at page 49 of our brief. But fallacies of respondent's discussion (Resp. Brief, p. 36, *et seq.*) cannot be overlooked. It is asserted that the following elements of estoppel are lacking:

1. Knowledge on respondent's part.

In reply—not only what is known, but what should be known, is within the definition (Pomeroy, "Equity Jurisprudence," (4th ed.) sec. 805). Respondent should have known of the defects (*Miller* v. *Bridgeport Brass Co.*, 104 U. S. 350, 356).[4]

2. Knowledge on petitioner's part.

In reply—this was acquired when notice was sent (Rec. 77).

3. Reliance by petitioner on the original narrow claims.

In reply—there was such reliance when petitioner elected to continue using the machine.

4. Intent on respondents' part to mislead.

In reply—all the rule cited by respondent requires is intent that the other party shall act on the representation. This petitioner did.

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[4] In this connection we call attention to the following testimony of respondent's president:

"The application for reissue of the Kohler patent No. 1,958,409 was made upon the recommendation of Mr. Charles S. Evans, with whom I took the matter up in the fall of 1935 after suit was brought against Sontag Chain Stores Co., Ltd. Prior to consulting Mr. Evans I *presumed* that the claims of the Kohler patent No. 1,958,409 were broad and proper claims. That impression was given me by Mr. Schroeder. * * * I handled all correspondence with Schroeder regarding the Kohler applications." (R. 106, 107.)

5. A change in petitioner's position induced by respondent's conduct.

In reply—there was such a change when petitioner elected to continue using the accused machine to build up its unit business. There was also a change in its legal position, a fact which respondent fails to appreciate.

Under this point respondent demonstrates in more concentrated form than usual the fallacies of its position. The assertions made following the discussion just analyzed are equally fallacious:

(*a*) Respondent did not know of any defect or insufficiency in its original patent.

In reply—respondent was negligent in not knowing it and was under a duty to know it.

(*b*) Petitioner was advised by respondent's notice of infringement and suit that respondent claimed patent rights against petitioner.

In reply—those patent rights at that time were limited by the claims of respondent's patent, which petitioner did not infringe.

(*c*) Petitioner by continuing its infringing practice in the face of respondent's notice and suit made no change in its position.

In reply—petitioner's practice was not then infringing. In proceeding with that practice after receiving notice of infringement, petitioner deliberately made a choice which involved a change of legal position.

(*d*) Petitioner proceeded in disregard of respondent's asserted right, and its statutory right to secure a reissue.

In reply—respondent's asserted right was no right at all because petitioner did not infringe the claims of the

original patent. Whether respondent had a right to secure a reissue is the question in this case.

(*e*) It was to be presumed that respondent would exercise every right properly available to it, including the right to secure a reissue.

In reply—there was no presumption that respondent had a right to a reissue or that it would exercise it.

(*f*) There could be no dedication during the period in which the right to apply for reissue could be properly made.

In reply—the decisions establish beyond argument that there was a dedication. Whether that dedication could be recaptured by reissue is the question in this case.

IV.

The record supports petitioner's contention that respondent's broadened reissue is invalid because of respondent's long delay in applying therefor.

Respondent boldly states that (Resp. Brief, p. 28) "Petitioner has confused its defense of 'intervening right' with the defense of invalidity of a reissue patent resulting from laches in making application therefor." The confusion is respondent's, not petitioner's. We are not talking alone about an "intervening right" but about "intervening rights." We think we need not reiterate our argument that that is the issue in this case, and that its determination requires consideration of estoppel, laches and broad questions of public policy.

Respondent's answer to the charge of laches is only that its application for reissue was filed within two years of the grant of the original patent. That is not an answer. Respondent also argues that "the Circuit Court of Appeals has expressly held the reissue patent

valid." (Resp. Brief, p. 29.) But the Court of Appeals decided that respondent had proceeded with due diligence only because it was of the opinion that application any time within two years would be adequate.

That is not the law. The cases of *Miller* v. *Bridgeport Brass Co.*, 104 U. S. 350, 355; *James* v. *Campbell*, 104 U. S. 356, 371; *Mahn* v. *Harwood*, 112 U. S. 354, 362, and *Topliff* v. *Topliff*, 145 U. S. 156, 171, and many others, require a patentee to be diligent in applying for a reissue and state that such application must be made before the rights of third parties have accrued. In *Mahn* v. *Harwood*, 112 U. S. 354, the court specifically stated (p. 363): "* * * no invariable rule can be laid down as to what is reasonable time within which the patentee should seek for the correction of a claim which he considers too narrow," and says that the two-year period suggested in *Miller* v. *Bridgeport Brass Co.* (104 U. S. 350), "was a mere suggestion by the way and was not intended to lay down any general rule."

As Judge Learned Hand said in *Otis Elevator Co.* v. *Atlantic Elevator Co.*, 47 Fed. (2d) 545, 549:

> "Intervening rights are only another aspect of the policy which makes laches alone enough."

Essentially it was those rights that resulted in the rule promulgated in *Miller* v. *Bridgeport Brass Co.*, 104 U. S. 350, 355.

We respectfully refer to our discussion (Pet. Brief, p. 51) of the many facts in this record which conclusively demonstrate respondent to have been guilty of laches, and we submit that respondent has not so much as attempted to answer the argument there made.

V.

The dominant social interest (public policy) favors protection of the interest of petitioner to continue the use of the accused machine.

The broadening of claims by reissue is opposed to the public interest. Respondent brings the reissue statute (without analysis) under the broad protection of the public policy which favors the granting of patent monopolies. So far as broadened reissues are concerned, however, we do not need to go beyond the cases for answer to the proposition here advanced by respondent.

It is the office of the description in a patent to advise the public of the nature of the patentee's invention, so that at the end of his monopoly the invention will be generally available. It is the office of the claims to define the field of the monopoly the patentee seeks for his invention. It has long been the law that the main object of the patent system is "to promote the progress of science and useful arts," and *not* "the creation of private fortunes for the owners of patents." (See *Motion Pictures Patents Co.* v. *Universal Film Mfg. Co.*, 243 U. S. 501, 510 (1916); *Kendall* v. *Winsor*, 21 How. 322 (1859); *Pennock* v. *Dialogue*, 2 Peters, 1 (1829).)

The general public policy behind the patent system is not interested in doing more than giving the patentee an *opportunity* to claim a monopoly. So far as broadened reissues are concerned, this court specifically stated in *Mahn* v. *Harwood*, 112 U. S. 354 (1884) that such a reissue is "injurious to the public, since it takes from the public the use of that which it previously enjoyed, and which the original patent acknowledged its right to enjoy." (362)

Respondent, however, claims to be a public benefactor stating that "Prior to the introduction of respondent's

achine, salted nuts had been sold in but few stores * *. Since the introduction of the Kohler machine and because of it), the sale of the commodity has been ery greatly extended * * *. The public is enjoying he advantage of vastly increased availability of a de-irable commodity resulting from respondent's patented nvention. In return, public policy should extend to re-pondent the benefits of respondent's invention during he life of the patent here involved." (Resp. Brief, pp. 5, 36.) This argument is not impressive.

The testimony of respondent's President and General Manager (R. 100 to 105) indicates the kind of "public nterest" that would be served by giving respondent a nonopoly. Respondent is in the business of importing, acking and wholesaling edible nuts (R. 102). It manu-actures the nut machines but does not sell them (R. 03). They are "put out on a rental basis." The rental aries from ½-cent to 2 cents a pound on the nuts used n the machines. *"The stores have to buy the nuts from s to use in our machines.* In 1932 our nut business was 120,000, in 1935 over $500,000, and ran about that in 935, 1936, 1937." (R. 104.)

We need only refer to: *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.*, 243 U. S. 502, 513; *Carbice Corp.* v. *American Patents Development Corp.*, 283 U. S. 7, 31; *Leitch Mfg. Co.* v. *Barber Co.*, 302 U. S. 458, 463.

Also to be considered under the heading of public pol-cy is the question of shortening the presumptive two-ear period within which laches will be an absolute bar. Respondent concedes that in view of the amendment of he statute changing the period of permitted public use rior to the original application for a patent from two ears to one year, that the "two year rule" of *Miller* v. *Bridgeport Brass Co.*, 104 U. S. 350, should be similarly imited. But respondent does not think that limitation

should be made in this case because the new statutory period does not become effective until August 5, 1940.

Respondent's position in this respect is unsound. The basis of the two-year rule is laches. The justice that announced it said that it "was a mere suggestion by the way and was not intended to lay down any general rule." (*Mahn* v. *Harwood*, 112 U. S. 354, 362.)

In *Patterson* v. *Hewitt*, 195 U. S. 309 (1904), at page 317, this court said:

> "In actions at law, the question of diligence is determined by the words of the statute. If an action be brought the day before the statutory time expires, it will be sustained; if a day after, it will be defeated. In suits in equity the question is determined by the circumstances of each particular case. The statute of limitations consorts with the rigid principles of the common law, but is ill adapted to the flexible remedies of a court of equity. The statute frequently works great practical injustice—the doctrine of laches, never. True, lapse of time is one of the chief ingredients, but there are others of almost equal importance. Change in the value of the property between the time the cause of action arose and the time the bill was filed; complainant's knowledge or ignorance of the facts constituting the cause of action, *as well as his diligence in availing himself of the means of knowledge within his control*, are all material to be considered upon the question whether the suit was brought without unreasonable delay."

The conditions which lead to the shortening of the statutory period long antedate the statutory change above referred to. In 1933 the executive committee of the Patent Office Society recommended that the period of permitted public use should be changed to one year and "the period of two years applied in equitable bars be likewise shortened." In commenting on that recommendation the committee said:

"The slow movement of post riders and coaches has been replaced by the all but lightning movement of the railway express and air mail. Not one-half of the original time is now needed for the purpose of arranging for either public use, or sale, or for the filing of an application." (See 15 Journal of the Patent Office Society, pages 846, 847.)

After hearings before the Temporary National Economic Committee but before a report of the Department of Justice, transmitted to Congress July 17, 1939, recommending the change (76th Congress, First Session, Senate Document No. 95; see 21 Journal of the Patent Office Society, page 653), the Committees on Patents of both the Senate and the House had reported favorably on the bill to curtail the permitted period of public use which has become law. The reports contain the following paragraphs, which is of interest here:

"The law thus permits an inventor, after his invention is fully completed, to make the invention known to the public for a period of 2 years before filing his application for patent. An invention may be described in print, sold, and used widely by anyone, either the inventor himself or others, and after a period of up to 2 years, an application for patent can be filed by the original inventor and a valid patent obtained, even when the public may have come to believe that the invention is open to anyone.

"In 1839, when the period of 2 years was first adopted, it may have been a proper length of time for an inventor to make up his mind whether or not to file an application for patent. Under present conditions 2 years appears unduly long and operates as a handicap to industry. Reduction of the period would serve to bring the date of patenting closer to the time when the invention is made, and would expedite applications, not only in their filing but also in their progress through the Patent Office." (76th

Congress, First Session, House Report No. 961; Senate Report No. 876.)

In our suggestion that the duration of laches that may be fatal to the right to a broadened reissue patent be curtailed, we called attention to the fact that the legislature had recognized that changed conditions justified shortening an analagous period provided under the statute. Where equitable rights are concerned, however, the courts use statutory periods only by way of analogy and there is no reason why a "one year rule" may not now be adopted if the equities of the situation require it. The changed conditions which resulted in shortening the statutory periods have long existed even though the new statute does not become effective until August 5, 1940. They apply with much more force to the question of the right to a reissue in which the rule of diligence has long been enforced.

CONCLUSION.

It is again respectfully submitted that the decree of the Circuit Court of Appeals for the Ninth Circuit should be reversed.

Respectfully submitted,

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